



The Mid-Year E-Commerce Outlook

How Brands Are Seeing Success with Content-Based Marketing, Omnichannel, & New Marketing Techniques

Mid-Market Businesses
With Annual Revenues from \$100-500 Million



A WBR Digital Whitepaper Presented in Conjunction with Extole, Olapic, and Wpromote | Spring 2016



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Executive Summary

Retail brands are constantly refining their commercial capabilities and marketing capabilities. 2016 has been no different, as retailers are shifting their marketing budgets and technology investments to build better strategies to connect with consumers across their increasingly non-linear paths to purchase. The goal is simple: to create a seamless, enjoyable shopping experience across the spectrum of digital and offline commercial channels.

Brands are pulling in revenue from more commercial channels than ever before, but there are still great opportunities to reinforce the connecting fibers between those channels. It is no longer sufficient to simply have a presence in these various channels. Rather, every channel must feel like an

extension of the others, and critical capabilities like attribution analytics and cross-promotions must cover that entire spectrum.

Retail marketing is evolving right alongside omnichannel commerce; audience reach is expanding as the number of commercial channels grows, and campaigns are becoming more effective at engaging and converting. The digital age has brought consumers and brands closer than ever before, a fact that brands are embracing through campaigns that encourage direct interaction. Consumers are no longer an audience to be advertised to; they are participants to build relationships with. Today's best campaigns are content-centered, highly personalized, and deeply measurable.

eTail's sixth annual e-commerce outlook will assess some of the trends and technologies driving retail innovation. This paper evaluates the marketing tactics retailers are leveraging, and takes a look at how those tactics have impacted core KPIs. It will also take a close look at innovative initiatives like referral marketing and user-generated content. Finally, it will gauge how well retailers are keeping up with omnichannel commerce.

This report covers mid-year trends for retail organizations with annual revenues from \$100-500 million.

Additional Contributors



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Key Findings

Marketers are relying on search and email to carry their marketing efforts through the second half of 2016. They're also expanding their investment in social media and referral marketing.

Email and search marketing remain the top drivers of customer acquisition and retention, but marketers are getting even more sophisticated with those tools through retargeting campaigns. Meanwhile, social media and referral marketing are growing in popularity, helping retail brands to solid growth in KPIs ranging from website traffic and conversion rates to repeat purchases and average order value.

Brands are optimizing all of their sales channels, but they are also looking to enhance the connections between those channels.

For mid-market retailers, it is no longer a matter of simply establishing a presence in the many online and offline commerce channels, but rather of improving the connections between those channels. That means creating a consistent shopping experience,

integrating omnichannel analytics and attribution models, and creating connected experiences that encourage purchases on other channels.

User-generated content (UGC) is redefining how brand building is done.

By creating and posting their own UGC, consumers are helping to shape the digital conversation about brands and products. This is an important shift that gives the digital community at large the ability to shape a brand's reputation. UGC gives brands an opportunity to do more authentic marketing, but it also includes consumers in the brand building process more than ever before.

Omnichannel attribution continues to challenge retailers.

Many brands still do not have a total attribution understanding of their full marketing funnels. That challenge is only going to get more complex as the path to purchase gets more diffuse.

Email and search marketing remain the top drivers of customer acquisition and retention, but marketers are getting even more sophisticated with those tools through retargeting campaigns.



Research Findings

Thanks largely to the proliferation of digital commerce channels and new-age technologies, the retail landscape is more competitive than ever. Large retailers are leveraging global footprints and scalable fulfillment operations, while smaller brands are reacting agilely to market demands, providing consumers with exceptional and extremely personalized experiences. While these strategic approaches have intensified the fight for market share, competition is not the only concern weighing on the minds of retail executives. In 2015, retail sales posted an annual gain of just 2.1%, the worst performance since 2009 according to the U.S. Commerce Department. That slowdown was headlined by an unimpressive holiday season, perhaps the most important time of the year for retailers. The recovery of the American labor

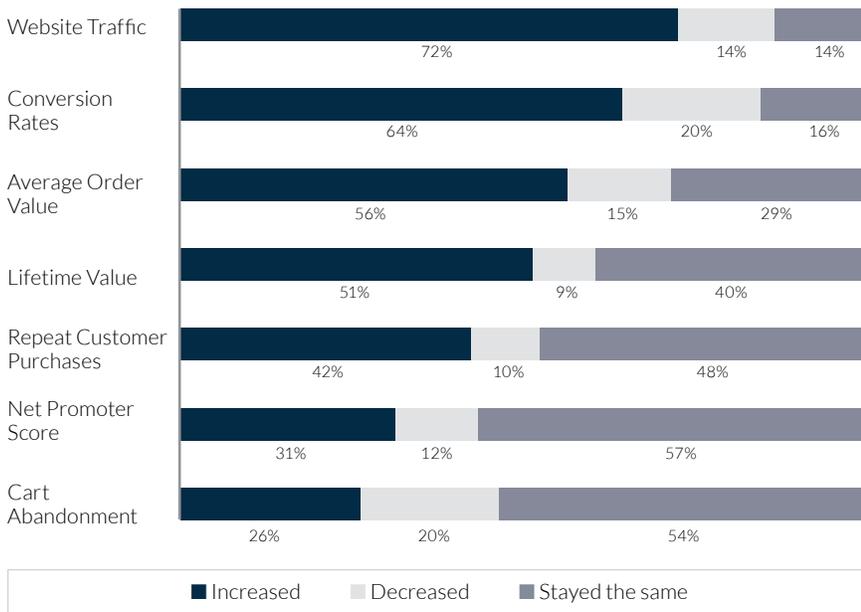
market, it appears, has not had a corresponding effect on household spending.

Retail marketers are facing these mounting challenges by making smarter investments in the tools, technologies, and channels that are having the biggest impact. Unfortunately, it can be difficult to prioritize those investments given the dizzying array of technologies and services available. It is not always clear which capabilities are worthy of investment, and the pressure to make those investments count can be tremendous. As a result, retail brands are devoting much of their marketing budgets to tried-and-true programs such as email, search, and display advertising. The focus on those capabilities paid dividends, as email and search were the top drivers of customer acquisition for

mid-size retailers, as well as the top revenue drivers overall. Email, search, and display may have been marketers' top investment targets, but they also spent on mobile and referral marketing campaigns.

These strategic investments yielded returns: mid-market retailers reported solid growth across a wide range of digital KPIs, including conversion rates, web traffic, and average order value. However, most of those KPIs showed more modest growth than last year, mirroring the retail sector's overall revenue gains. With the path to purchase becoming much more nonlinear and consumers jumping from channel to channel, it will be important for brands to invest in newer capabilities to keep pace.

Looking at your online business in 2015, please indicate how the following KPIs changed:

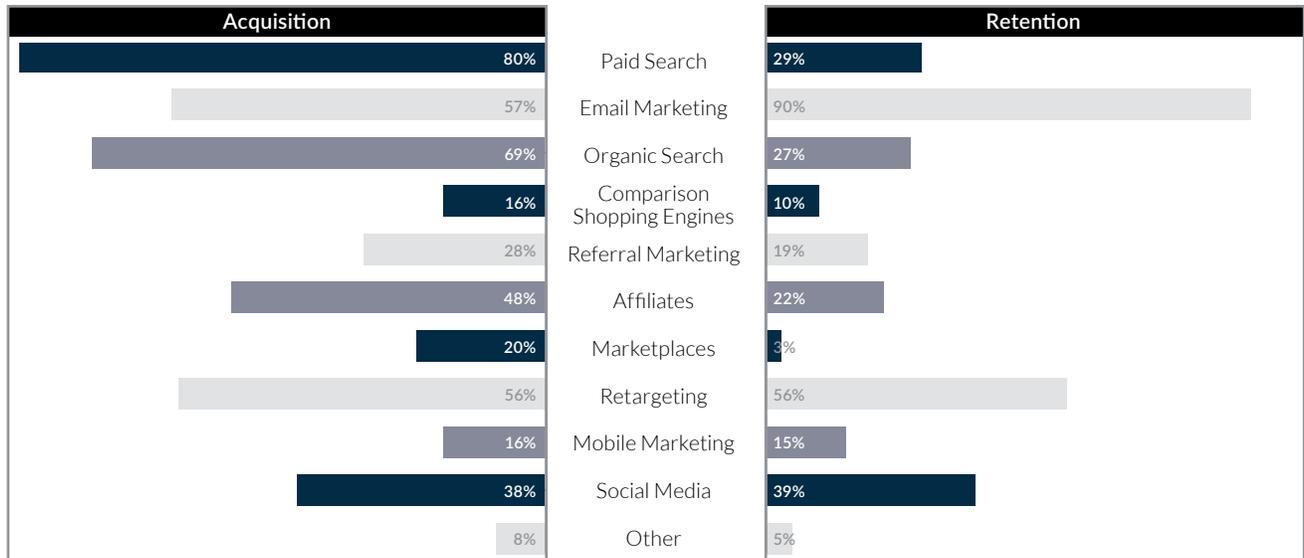


Respondents reported strong growth across most KPIs, including traffic, conversion rates, average order value, and repeat customer purchases. The areas that didn't improve as much were cart abandonment and NPS.

In some cases, decreases in conversion rates are being driven by traffic going to mobile, which tends to be a lower-converting channel because of the physical limitations of mobile devices and the context in which people use them. This is leading many businesses to prioritize mobile; people are doing so much more on their phones and I think we need to create experiences that align with that behavior.

- Alison Ehrmann, VP Consumer Marketing, Fresh Direct

Which online activities primarily drive customer acquisition and retention for your organization?

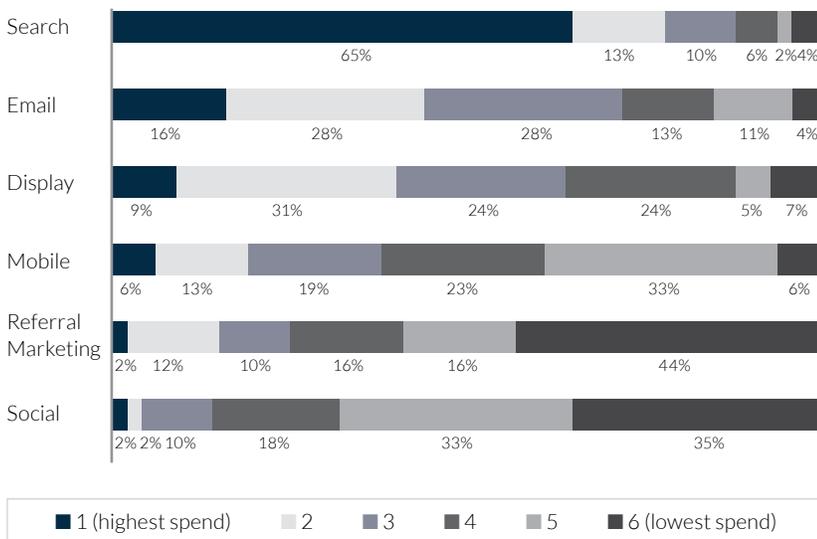


Search is still the preeminent customer acquisition driver, but retargeting has become a valuable tool for both acquisition and retention.

We use social as awareness and activation. We see it as a channel to acquire new customers and to keep the dialogue going with existing customers during the times they're not shopping

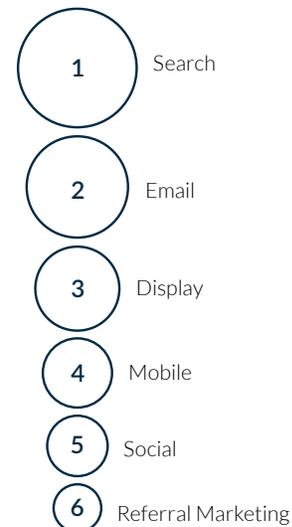
- Alison Ehrmann, VP Consumer Marketing, Fresh Direct

Please rank your marketing spend in the following areas:



Search and email are receiving the greatest share of marketing budgets, with display occupying the third spot.

Please rank your revenues from the following areas



Search and email marketing continue to have the greatest impact on revenue.

Word of Mouth, Optimized – The Power of Referral Marketing

Customer-to-customer referrals are extremely powerful marketing opportunities for retailers. Consumer brand advocates can convey the value of a product much more persuasively than the brand can, because their organic viewpoints come with a built-in integrity that is difficult for marketers to replicate. A referral does not simply communicate product benefits; it taps into the advocate's reputation. This is what makes referrals so influential, but it also makes them difficult for marketers to manage.

Referral marketing – proactively encouraging referrals through

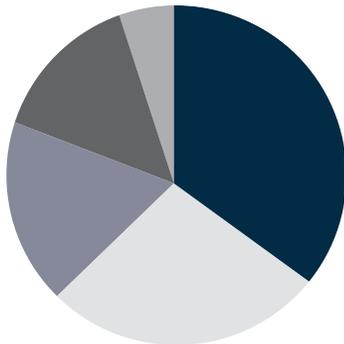
direct messaging and incentives – helps to put the persuasive power of referrals into the hands of marketers. As 2016 wears on, referrals stand as a major opportunity for retailers to win repeat business, acquire new customers, and expand the brand's footprint.

Modern marketing tools have helped to unlock referral programs, which work best when paired with proper customer segmentation and remarketing tools that can identify targeted prospects and potential brand advocates. Marketers can then offer rewards for both of those groups, encouraging

participation from advocates and driving referred customers to land deeper in the sales funnel. As with any marketing initiative, tracking is critical. Fortunately, referral platforms today enable marketers to track, analyze, and optimize their referral programs.

The more integrated referrals are into a customer's experience with a brand, the more effective they are. Referrals should feel seamless and special, not pushy or difficult to redeem. As a brand learns how to best reach its customers and what incentives those customers prefer, it can tweak its referral offer and optimize its program.

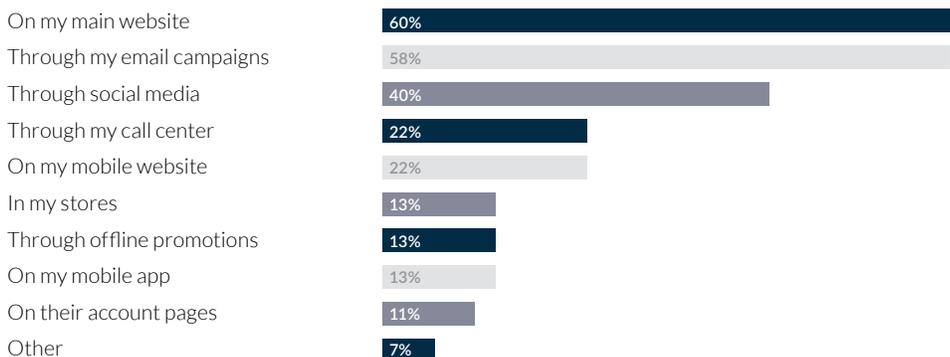
Describe how you are using referral marketing today



- **35%** I'm familiar with the referral market, but I haven't tried it
- **28%** I have run referral campaigns in the past, but do not manage as an ongoing channel
- **18%** I have an end-to-end referral program that runs multiple, evergreen campaigns and I manage it as a marketing channel
- **14%** I have a referral program on my website that can edit and change the offer structure, but can not run multiple campaigns
- **5%** I am unfamiliar with referral marketing

60% of retail brands are using referral marketing to some degree.

How do your customers engage with your referral program?



Referral activities focus mainly on emails and websites.

When it comes to referrals, word of mouth is extremely important. It needs to be easy and seamless for people to make referrals and get credit for them. Referrals carry a lot more weight than anything we can serve up in social or in other channels. It's also important to note that people who are referred tend to be higher value customers.

- Alison Ehrmann, VP Consumer Marketing, Fresh Direct



Finding Customers in New Places: Omnichannel Commerce and Comparison Shopping Engines

Omnichannel continues to challenge retailers, but the nature of that challenge has changed over time. Initially, brands were focused on simply entering new commercial channels like mobile and social. Now that the vast majority of mid-market retailers have established presences in those channels, they are working to improve the connections between those channels: ensuring that every channel presents a consistent shopping experience; integrating omnichannel analytics that can track customer behavior and improve attribution; and creating connected experiences through which each channel can influence purchasing decisions made on others. In fact, survey respondents cited the ability to use online assets to drive offline sales as their most pressing issue.

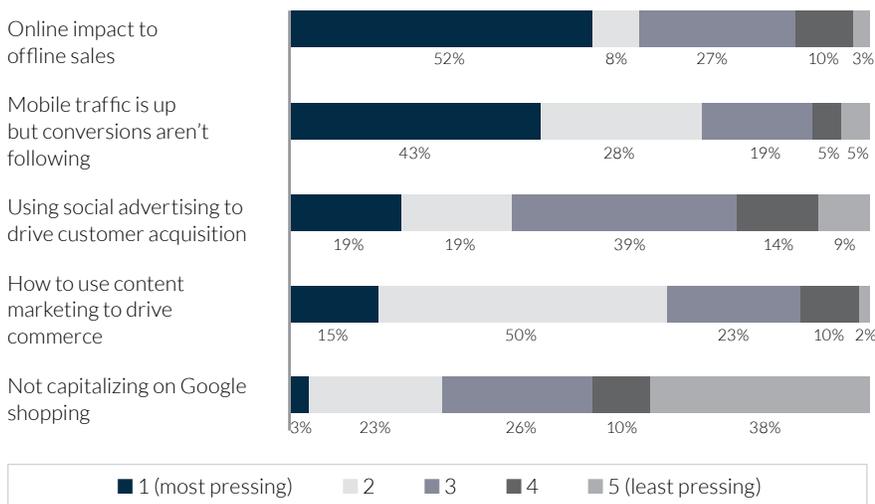
Improving omnichannel performance requires robust investment in technologies that connect online and offline buying paths. In some cases, the largest hurdle in converting online traffic to offline sales is operational, because there is a disconnect between the technologies available online and

those available to in-store associates. For instance, in digital channels marketers have access to a litany of tools that can help them better understand what the consumer is looking for and to help them down the path to purchase through rich content. Those capabilities are a step ahead of what is available to store associates, who do not have a full view of a customer's history and behavior. If retailers want to use their digital properties to influence offline sales, they must first bridge that technology gap.

A related challenge to more effective omnichannel commerce is gaining full attribution visibility. Many brands still do not have a clear picture of which customer interactions are having the greatest impact on conversions, and attribution only gets more complicated as more touchpoints are added. Attribution is a bigger pain point than marketing concerns (such as the cost of paid media or the decreasing efficacy of SEO strategies) because it is only through correct attribution that brands can build a sound roadmap for future marketing campaigns.

Another priority for retailers is improving their management of comparison shopping engines (CSEs). For many consumers, CSEs, such as Google Shopping and Shopzilla, are a pivotal part of the e-commerce process. They enable consumers to research products, compare prices, and eventually make purchases. Managing CSEs is important for retailers, but it can also be costly and time-consuming to ensure that product data feeds meet the CSEs' requirements. Shopping feed management tools help to streamline this process, but more than half of the retailers surveyed are spending less than 10% of their paid search budgets on these tools.

Which of the following challenges are most pressing to solve in 2016?

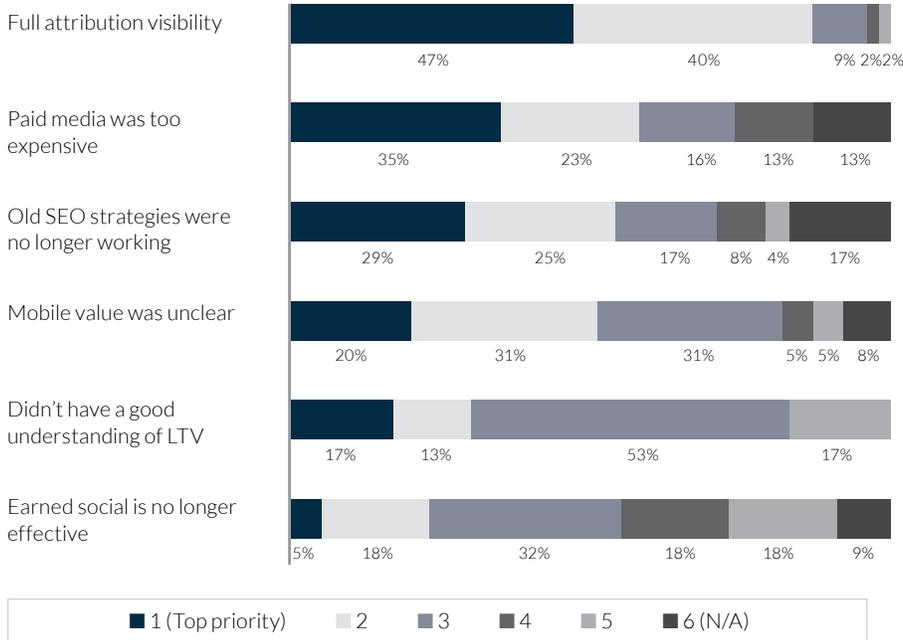


Driving sales across channels, converting on mobile, and using content to drive conversions are top challenges retailers are looking to crack.

The mobile experience is not the same as desktop: smaller screen size, limited functionality and typically less customer patience. Many customers are simply using their mobile devices as part of the journey to purchase in-store. For example, a customer's mobile journey could include checking her local store inventory or comparing product reviews while in the aisle. What's more important is distinguishing what portion of the lower mobile conversion can be attributed to in-store conversion (and thus isn't a negative outcome) and what portion is really the opportunity to improve one's mobile experience.

- Wayne Duan, Director of Digital Commerce, Walgreens

What were your biggest pain points in 2015?

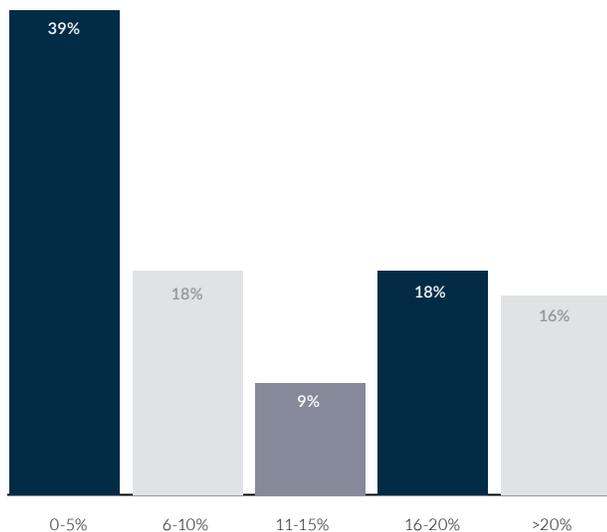


Attribution was the top-cited pain point last year.

Everyone will acknowledge that consumers have many interactions before they make a purchase. Whether they're seeing general advertising, social media, digital display, search, or direct mail, there are lots of different touch points that all influence the ultimate conversion. And I think very few people seem to have a total attribution understanding of the complete marketing funnel.

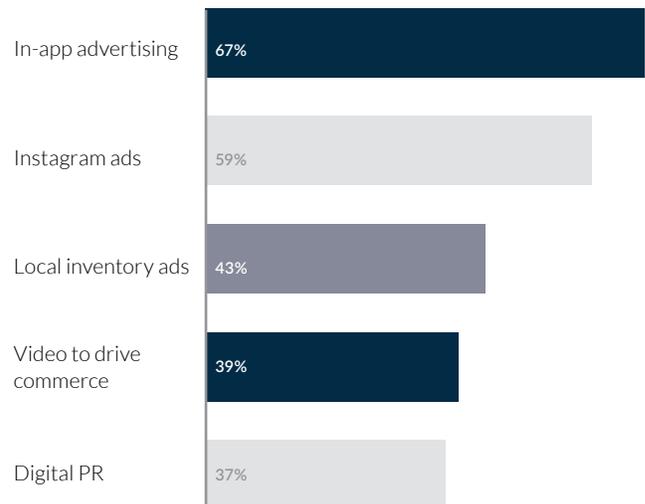
- Alison Ehrmann, VP Consumer Marketing, Fresh Direct

What percentage of your paid search budget is devoted to shopping feed management?



57% of retailers are spending 10% or less of their search budgets on shopping feed management.

Which of the following initiatives haven't you implemented?



Less than half of retail brands are leveraging Instagram ads or in-app advertising, while 61% are using video to drive commerce.

Brand Building Through User-Generated Content

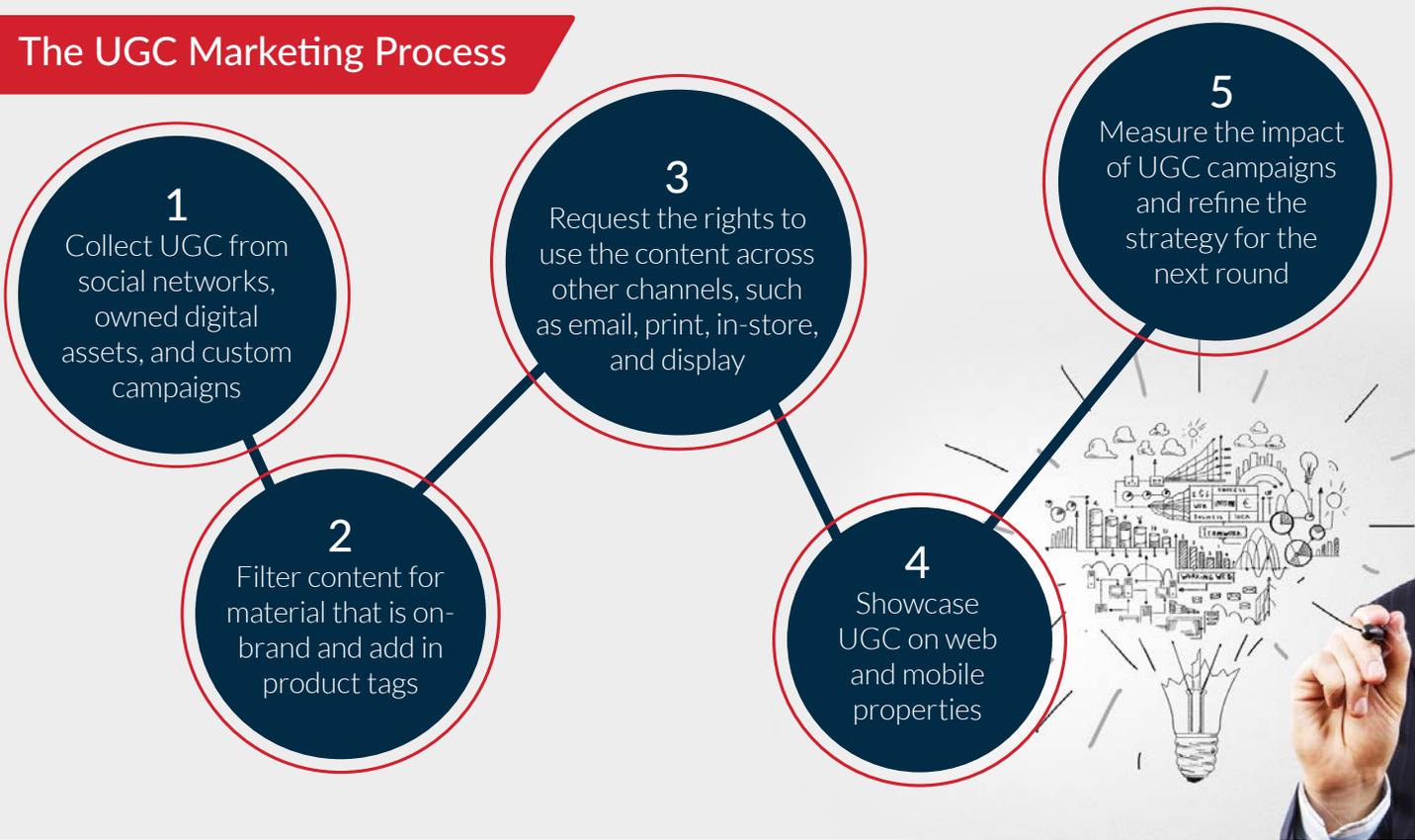
In the digital age, the barriers that traditionally separated consumers and brands are coming down. Social media has created digital ecosystems in which consumers and retailers interact on a level field. By creating and posting their own user-generated content (UGC), consumers are embedding their experiences in a brand's greater story. Retailers are reinforcing this behavior by making their websites more engaging and their content more shareable. By engaging in one-to-one interactions with retailers and sharing user-generated content, consumers are actually driving the digital conversation about brands and products.

This is an important shift that gives the digital community at large the ability to shape a brand's reputation. In other words, consumers are actively engaged in brand building, a process that was once dictated entirely by brand managers and marketers. While this may sound like a risky proposition, it can be profoundly beneficial if managed effectively. After all, consumers are already talking about products and brands on social media and other digital channels – UGC simply enables marketers to use that buzz for their own benefit.

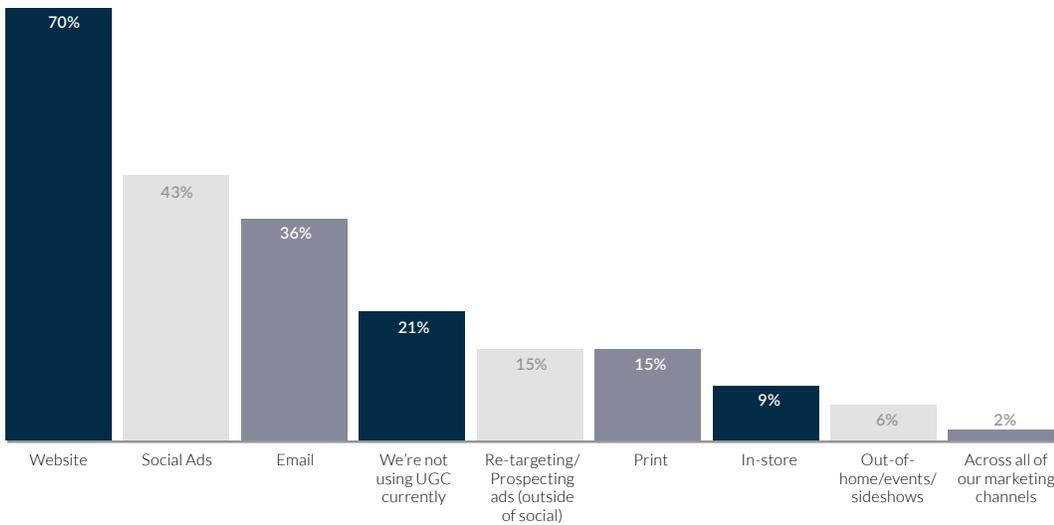
User-generated content is at the core of this opportunity and it offers a lot of advantages for retail brands.

UGC reduces the amount of content brands themselves have to generate, lowering marketing costs and streamlining content sourcing. And because consumers are often more interested in hearing the opinions of their peers than reading carefully crafted sales messages, UGC can create deeply authentic campaigns that sell by generating trust. In fact, more than half of survey respondents agree that UGC helps them improve the authenticity of their marketing. Finally, UGC is yet another critical source of customer data, giving marketers a better picture of customer engagement, the level of brand advocacy, and the conversion rates of content-centered campaigns.

The UGC Marketing Process



Which marketing channels are you currently using user-generated content (UGC) in?

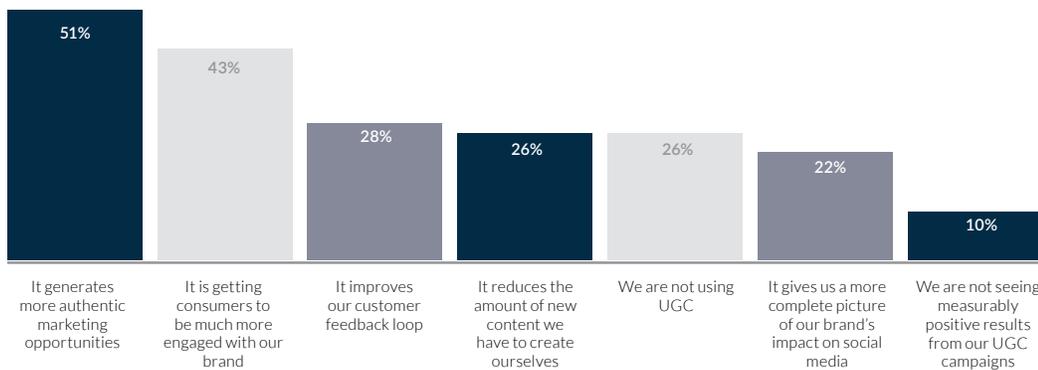


More than two-thirds of respondents are using UGC on their websites. Social ads and email came in second and third.

From a marketing standpoint, social will soon become more integrated with paid efforts with an increased focus on content generation.

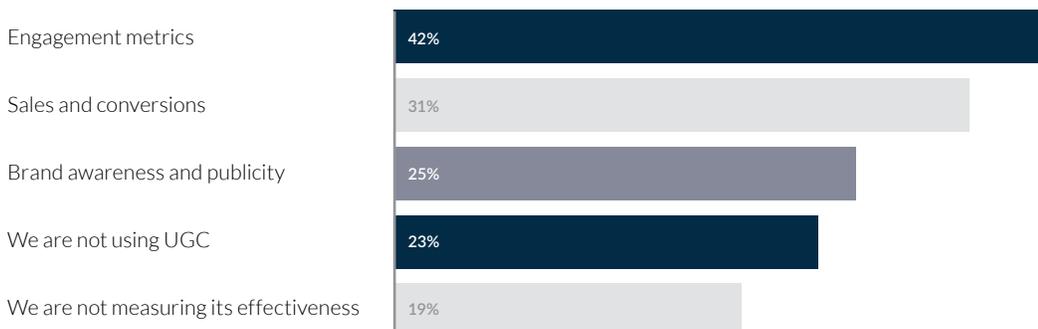
- Amit Shah, SVP
Online Marketing,
Mobile, & Social,
1-800-Flowers.com

How is UGC impacting your brand?



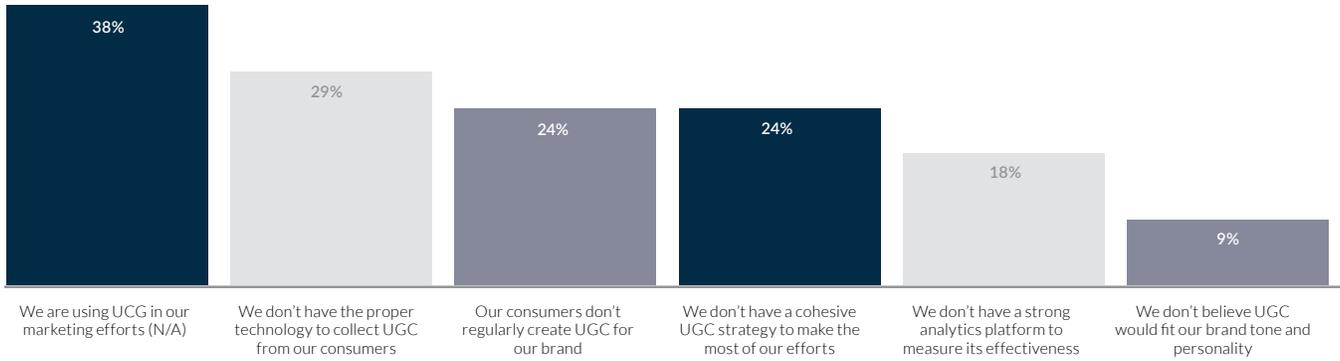
UGC is a great way to create more genuine marketing opportunities.

How are you measuring the effectiveness of your UGC?



Engagement is the primary measure of UGC's effectiveness, although some businesses are tying their UGC campaigns to revenue.

If you are not using UGC currently in your marketing efforts, what are the barriers preventing you from doing so?



The most common barrier to UGC implementation is technology.

Key Recommendations

Marketers cannot neglect tried-and-true tactics like search and email, but they must bolster their investment in newer capabilities like referral marketing and social media.

Referral marketing and social media campaigns can fit seamlessly into the more passive periods in a customer's path to purchase. They are powerful omnichannel tools, but they do require investment.

The next step in omnichannel commerce will be comprehensive attribution and coordinated, content-focused marketing.

In order for a brand to create consistency across its many shopping channels, it must view the shopping experience holistically and plan accordingly. It is equally important to develop full-funnel attribution models that uncover the most meaningful touchpoints.

User-generated content is a great way to boost customer engagement and create more authentic marketing campaigns.

Leveraging UGC for marketing campaigns can lower marketing costs and streamline content sourcing. And because referrals come from peers, UGC campaigns can feel much more authentic.

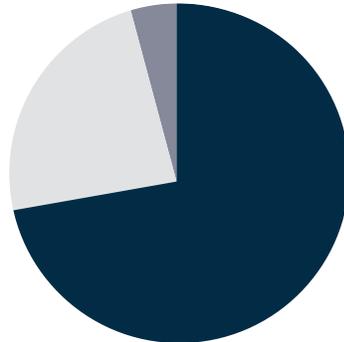


Appendices

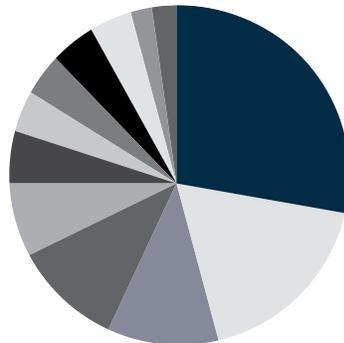
Appendix A: Methodology

For this report, the eTail team conducted in-person and online surveys of 90 retail professionals from a variety of industries, including apparel, beauty, consumer electronics, hard and soft goods, home furnishings, books, music, and department stores. Survey participants included decision-makers and executives with responsibility for their firms' marketing, e-commerce, sales, and operations capabilities and strategies. In-person surveys and interviews were conducted on-site at the 2016 eTail West conference. Responses were collected in February and March of 2016.

Appendix B: Demographic Information



- 73% Multi-channel
- 23% Pure-play online
- 4% Manufacturing



- 28% Specialty retail
- 18% Standard apparel
- 11% High-end fashion apparel
- 11% Other
- 7% Sporting goods
- 5% Travel & Hospitality
- 4% Automotive
- 4% Department stores
- 4% Healthcare & pharmaceuticals
- 4% Financial services
- 2% Hardware, electronics & appliances
- 2% Beauty products

Appendix C: Related Research

[“Evaluating The Changing Landscape of Retail Marketing”](#), WBR Digital, January 2016

[“Mobile Innovation & The Next Step in Omnichannel Commerce”](#), WBR Digital, October 2015

[“Holiday Retail Readiness”](#), WBR Digital, December 2015

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A special thank you to our research partners, whose vision and expertise helped make this report possible.



At **Extole** we believe referral marketing is the most important acquisition channel of the next decade. We exist to help marketers drive measurable, reliable customer acquisition at scale. Our industry-leading referral platform helps brands take advantage of a unique resource they already have in front of them: their current customers. More than 500 retail, financial services, consumer subscription, and B2B companies use Extole to acquire new customers using our platform.

Learn more at <http://www.Extole.com/>



Olapic increases sales and engagement for over 300+ brands and retailers by integrating customer photos into the shopping experience.

Our clients use Olapic to increase conversion and time on site, differentiate the shopping experience, keep content fresh, drive up-sell and cross-sell, lower return rates, and reduce lifestyle content costs.

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The Wpromote logo is the word "WPROMOTE" in a white, uppercase, sans-serif font, centered within a solid red rectangular background.

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Wpromote has been a pioneer in the online marketing industry since the company's inception in 2001, and is the leading independent online marketing firm in the country. We have worked with thousands of companies – from fast-growing startups to Fortune 500 firms – in every business vertical and over 60 countries.

We offer paid and organic, email, social, and other components of search that are rooted in content, consumed by humans, and tracked in deep analytics. We drive customer acquisition through multi-channel, content-centric campaigns, and believe that perfection is found at the intersection of technology and human expertise.

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